

## Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 EB-11 DRC-01 CIAE-00 INR-10

NSAE-00 RSC-01 /042 W

----- 100882

R 310752Z MAY 74

FM AMEMBASSY SEOUL

TO USDOC WASHDC

INFO SECSTATE WASHDC 4079

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FOR EXIMBANK

E.O. 11652: N/A

TAGS: BEXP, BPRO, EIND, KS

SUBJECT: PROPOSED UNION CARBIDE INVESTMENT

1. AFTER FOUR MONTHS OF CAREFUL LOOKING, UNION CARBIDE (U.C.) HAS SELECTED A LARGE OXYGEN PLANT AS ITS FIRST INVESTMENT IN KOREA. THE PLANT WOULD INVOLVE AN \$8 MILLION CREDIT, HOPEFULLY FROM EXIMBANK, AND A \$4 MILLION EQUITY INVESTMENT IN A JOINT VENTURE WITH A KOREAN PARTNER SHORTLY TO BE SELECTED. UNION CARBIDE REPRESENTATIVE FIRST NARROWED DOWN POSSIBILITIES TO THIS PROJECT, THEN TOGETHER WITH EMBOFF APPROACHED KOREAN INVESTMENT AUTHORITIES TO OBTAIN ONE-MONTH DELAY IN CONSIDERATION OF RIVAL FRENCH PROJECT, AND FINALLY TODAY OBTAINED APPROVAL OF UNION CARBIDE BOARD TO FINALIZE ALL ARRANGEMENTS.

2. STARTING WITH PLANT TO PRODUCE SEVEN MILLION TONS OF OXYGEN PER ANNUM, U.C. WOULD GROW WITH MARKET AND COMMIT TO SUPPLY GAS ON DEMAND ANYWHERE, ANYTIME TO ANY CUSTOMER IN KOREA. ORIGINAL PLANT SITE WOULD BE IN INDUSTRIALLY DEVELOPING SOUTHERN AREA AT YOSU. OUTPUT WOULD BE USED BY KOREAN SHIPBUILDING ENGINEERING COMPANY SHIPYARD AND SECOND INTEGRATED STEEL MILL AS WELL AS SECOND PETROCHEMICAL COMPLEX.

3. IF SUCCESSFUL, U.C. INVESTMENT WILL HEAD OFF WELL-ORGANIZED

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FRENCH EFFORT TO OBTAIN MONOPOLY OF KOREAN OXYGEN MARKET THROUGH

CONSTRUCTION OF THREE OXYGEN PLANTS WHOSE APPLICATIONS HAVE BEEN SUBMITTED UNDER THREE DIFFERENT NAMES, WITH COMPANIES ALL UNDER CONTROL OF FRENCH L'AIR LIQUIDE. ONLY ONE OF THREE FRENCH PLANTS, WITH APPLICATIONS SUBMITTED BY JAPANESE SUBSIDIARY, HAS SO FAR BEEN APPROVED. AFTER U.C. WITH EMBASSY ASSISTANCE APPROACHED EPB, HIGH-LEVEL APPROVAL WAS OBTAINED (POSSIBLY DPM) TO HOLD TWO OTHER PENDING FRENCH APPLICATIONS FOR ONE MONTH UNTIL U.S. COULD PREPARE ITS APPLICATION. WITH U.C. BOARD APPROVAL NOW OBTAINED, THERE REMAIN ONLY 20 DAYS TO COMPLETE U.C. APPLICATION.

4. ACCORDING TO COPIES OF TWO FRENCH APPLICATIONS WHICH EMBASSY HAS SEEN, \$2.3 MILLION FINANCING WILL BE AVAILABLE FOR ONE PLANT AT 7 PERCENT FOR SIX YEARS WITH 15 PERCENT DOWN. CREDIT PROVIDER WOULD BE TOKYO BOEKI. L'AIR LIQUIDE WOULD BE THE LENDER ON THE SECOND PLANT PROVIDING \$5.5 MILLION AT 7.5 PERCENT OVER SEVEN YEARS WITH NO DOWNPAYMENT AND 2.9-YEAR GRACE PERIOD. WE HAVE ALSO SEEN RELIABLE EVIDENCE WHICH CONNECTS EISENBERG COMPANY WITH FRENCH PROJECT.

5. U.C. IS NOW IN PROCESS OF SELECTING COMMERCIAL BANK (POSSIBLY BANK OF AMERICA), KOREAN PARTNER (POSSIBLY KOREA HAPSUM) AND OBTAINING EPB CLASSIFICATION OF PROJECT AS PRIORITY INVESTMENT FOR CONSIDERATION BY EXIMBANK DEPENDING ON AVAILABILITY OF FUNDS. WE, OF COURSE, ARE NOT SURE WHAT KIND OF PRIORITY EPB WILL IN FACT ESTABLISH, BUT SOME KIND OF APPROVAL SHOULD BE AVAILABLE SHORTLY, GIVEN THE FACT THAT EPB ITSELF HAS AGREED TO DELAY RIVAL PROJECT PENDING U.C. SUBMISSION.

6. IT SHOULD BE NOTED THAT TIMING OF EXIM CREDITS WHICH U.C. WILL BE REQUESTING INVOLVES A \$2 MILLION CREDIT IN 1976 AND A \$6 MILLION CREDIT IN 1977.

7. THIS IS OUR FIRST MESSAGE CONCERNING THIS PROJECT. WE WILL SEND ADDITIONAL INFORMATION AS AVAILABLE.  
ERICSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OXYGEN, BANK LOANS, FOREIGN INVESTMENTS, INDUSTRIAL PLANTS, JOINT VENTURES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 MAY 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974SEOUL03478  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740137-1112  
**From:** SEOUL  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t1974053/aaaaabus.tel  
**Line Count:** 96  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION XMB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31 JUL 2002 by worrelsw>; APPROVED <26 MAR 2003 by ShawDG>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED UNION CARBIDE INVESTMENT  
**TAGS:** BEXP, BPRO, EIND, KS, UNION CARBIDE, XMB  
**To:** COM  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005